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DHAHRAN SENDS  
PARIS FOR ZEYA, LONDON FOR TSOU

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TAGS: [ECON](#) [PGOV](#) [SA](#)

SUBJECT: EP CORPORATE BANKER UPBEAT ABOUT IMPACT OF WTO  
ACCESSION AND ECONOMIC LIBERALIZATION

REF: 2005 RIYADH 9531

Classified by Acting Consul General Dave Speidel for reason  
1.4 (d).

¶1. (SBU) Zaki Al-Yahya, Eastern Province-based Assistant General Manager in Samba's Corporate & Investment Banking Group, painted an upbeat picture about recent developments in the banking sector in a conversation with EconOff April 10. As a lender to many of the major EP businesses who serve as agents and distributors for multinational corporations (MNCs) like GE, GM, and Schlumberger, Al-Yahya said the potential of Saudi accession to the WTO had initially concerned him because he thought the MNCs might choose to eliminate the middleman (i.e., his clients) and set up their own networks in the Kingdom. Talking to the MNCs, he said, quickly eased his concern, as it became clear they intended to keep working with Saudi partners.

¶2. (SBU) Speaking in general terms, Al-Yahya expressed his hope that the WTO's greatest impact in Saudi Arabia would be in the area of legal reform. Secular in orientation himself, Al-Yahya lamented the lack of a clear legal code in Saudi Arabia and the capriciousness of its legal system. He speculated that reformers in the government might use the process of bringing the Kingdom's commercial law to international standards as a starting point for reform in criminal and other areas of law.

¶3. (SBU) Noting that HSBC, Citibank, and Deutsche Bank seemed interested in setting up direct operations in Saudi Arabia, Al-Yahya welcomed the ongoing liberalization of Saudi Arabia's banking sector, a process begun before WTO accession. He brushed aside worries of competition: "They will choose to enter sectors that are underserved here, where they have expertise, like brokerage and investment banking. Right now, for example, there are just a few banks that can handle an IPO, but there are so many companies that want this service. They're coming to us, but we're telling them we can't get to them for another year." Al-Yahya also identified training and improved standards as additional benefits of an increased foreign presence in the banking sector, giving as an example the internal restructuring at Saudi British Bank undertaken by its new Managing Director, who came over from minority owner HSBC.

¶4. (C) Improved training opportunities for young Saudi bankers was even more critical, Al-Yahya said, given the decline in standards at Saudi Arabia's educational institutions. "When my brother graduated from KFUPM 30 years ago, he went to U.C. Berkeley for graduate school and he had no trouble adjusting. Now the KFUPM graduates I hire don't even know how to write a business memo." He expressed

disappointment with the academic direction chosen by the new Prince Mohammed University (PMU; ref tel), scheduled to open next fall. "We're lending a lot of money to the backers, and I was upset that they didn't go with one of the top U.S. schools as a partner in developing academic standards. That's what they're doing in Qatar and the Emirates.

Instead, it seems like the rector wants to be the power broker and maintain that control." (Note: KFUPM, or the King Fahd University for Petroleum and Minerals, is Saudi Arabia's premier technical university and is public. PMU, which is private, has contracted with the non-profit Texas International Educational Consortium for academic program development and other services. End note.)

(APPROVED: SPEIDEL)  
OBERWETTER